

Investment Update & Net Tangible Assets Report

As at 31 January 2016

Net Tangible Assets (NTA) figures

NTA before tax	116.28c
NTA after tax and before tax on unrealised gains	115.45c
NTA after tax	115.36c

The above figures are not diluted for 176,260,103 options on issue with an exercise price of \$1.10.

Portfolio

In January, the investment portfolio continued its track record of outperformance against the falling Australian equity market. The investment portfolio decreased 2.5%, outperforming the S&P/ASX All Ordinaries Accumulation Index, which fell 5.5%. In the financial year to date the portfolio has increased 8.5%, outperforming the benchmark by 13.5%, which decreased 5.0%. The spread between the three broad equities strategies – long equities, absolute bias and market neutral is currently 48.2% long equities, 24.1% absolute bias, 17.3% market neutral and 10.4% cash.

Fund manager	Investment	Strategy	% of assets
Regal Funds Management	Regal Australian Long Short Equity Fund	Long equities	10.0%
Bennelong Australian Equities Partners	Bennelong Australian Equities Fund	Long equities	9.9%
Paradise Investment	Large/Mid Cap Funds (split out below)		9.9%
	Paradise Australian Equities Mid Cap Fund	Long equities	5.4%
	Paradise Large Cap Fund	Long equities	4.5%
Wilson Asset Management (International)	Wilson Asset Management Equity Fund	Absolute bias	8.2%
Watermark Funds Management	Watermark Absolute Return Fund	Market neutral	7.9%
Eley Griffiths Group	Eley Griffiths Group Small Companies Fund	Long equities	7.5%
Tribeca Investment Partners	Tribeca Alpha Plus Fund	Absolute bias	6.9%
Optimal Fund Management Australia	Optimal Australia Absolute Trust	Market neutral	4.9%
Cooper Investors	Cooper Investors Australian Equities Fund	Long equities	4.8%
Sandon Capital	Sandon Capital Activist Fund	Absolute bias	4.0%
LHC Capital	LHC Capital Australia High Conviction Fund	Absolute bias	3.5%
Discovery Asset Management	Discovery Australian Small Companies Fund	Long equities	3.5%
Bennelong Long Short Equity Management	Bennelong Long Short Equity Fund	Market neutral	3.1%
Smallco Investment Manager	Smallco Broadcap Fund	Long equities	2.6%
Lanyon Asset Management	Lanyon Australian Value Fund	Absolute bias	1.5%
Qato Capital	Qato Capital Market Neutral L/S Fund	Market neutral	1.4%
	Cash and Term Deposits	Cash	10.4%

Future Generation Investment Company Limited

ASX Code	FGX
Established	Sept 2014
Gross assets	\$221.7m
Market cap	\$218.8m
Share price	\$1.155
Net assets per share (before tax)	\$1.163
Shares on issue	189,447,553
Options on issue	176,260,103
Management fees	0.0%
Performance fees	0.0%
Annual donation (% of NTA)	1.0%

Investment objectives

- Provide a stream of fully franked dividends
- Achieve capital growth
- Preserve shareholder capital

Company overview

Future Generation Investment Company Limited gives investors the opportunity to gain unprecedented access to a group of prominent Australian fund managers in a single investment vehicle and also support Australian children's charities, with a focus on children at risk.

Experienced Board

Chairman

Jonathan Trollip

Founder and Director

Geoff Wilson

Directors

Paul Jensen
Gabriel Radzysinski
Kate Thorley
David Leeton
Scott Malcolm
David Paradise

Investment Committee

Geoff Wilson, Gabriel Radzysinski and Matthew Kidman

Joint Company Secretaries

Sarah Maddox/Mark Licciardo

Corporate Affairs

James McNamara

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Maiden interim dividend – fully franked 2.0 cents per share

The Board of Directors announced on Tuesday 12 January a fully franked 2.0 cents per share interim dividend to shareholders. The interim dividend announcement follows the payment of the Company's final fully franked dividend of 2.0 cents per share on 23 October 2015 and a \$1.64 million donation to supported charities on 12 October 2015.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

Key interim dividend dates

Last day to exercise options to be eligible for interim dividend*:	7 April 2016
Ex date:	13 April 2016
Record date:	14 April 2016
Last election date for dividend reinvestment plan:	18 April 2016
Payment date:	29 April 2016
Option expiry date:	16 September 2016

*As at 31 January, 5,380,601 options had been exercised for a total consideration of \$5,918,661 with the remaining balance of outstanding options being 176,260,103.

Fund Managers



Charities



Service Providers



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Fund manager in focus: Optimal Australia



About Optimal Australia

Optimal Australia is a specialist manager of absolute return investment strategies. The company was formed in 2008, in partnership with long-established Japan and Pan-Asia long-short equities manager, Optimal Fund Management. The company is wholly-owned by its investment management team.

Optimal's flagship fund, the Optimal Australia Absolute Trust, is a long-short large-cap Australian equities strategy, launched in September 2008. The Fund's objectives are to compound wealth through achieving positive returns under all market conditions, to maintain an overarching focus on capital protection, and to consider risk and return in absolute, not relative, terms.

Since inception, over 89 months through to 31 January 2016, the Fund has recorded an annualised return (net of all fees) of 9.0% per annum, with volatility at 3.7%, and a Sharpe ratio of 1.32. Of the Fund's monthly investment returns, 82% have been positive, with the largest cumulative drawdown at 4.7%. By comparison, over the same period, the ASX 200 Accumulation Index has recorded an annualised return of 4.8%, with volatility of 14.3%, 54% positive monthly returns, and a maximum cumulative drawdown of 37%.

Optimal Australia's investment style

Optimal's investment strategy is based in fundamental research, and is expressed with low but variable net market exposure. The fund is not strictly market neutral, but its net market exposure has averaged slightly under 10% of NAV since inception. The fund has typically been unleveraged, and runs quite low individual investment concentration, usually holding 20-40 stocks long, and selling 15-25 stocks short.

The strategy has a low beta (market return) correlation (at slightly under 0.10), with the Fund's returns very much driven by stock alpha, and by Optimal's bottom-up stock selection process. Through detailed fundamental company and industry research, Optimal generates a 'fair value' range on a dynamic basis for its active universe of around 130 stocks at any point in time. The investment team seeks to better understand why variances exist between a company's stock price and its assessed 'fair value', the returns expected from reversion to the fair value range, and the risk factors that may act to prevent such reversion. The team's hard-won investment experience (an average 28 years per person in Australian equities) is key in assessing when the 'fair value' reversionary signals can be best actioned, or whether the resulting investment idea needs further maturation, and should better be inventoried.

Optimal Australia's Market Outlook

The Australian share market has gone nowhere since February 2014. Those investors still chasing beta returns saw a type of volatility (in scale and nature) in January that should scare them. Markets were gripped by an emerging (and probably well overdue) crisis of confidence in the ability of central banks to continue to underwrite asset prices. In that context, it's no wonder that risk-aversion is rising sharply. Our guess is that recent market volatility is here to stay, and that the best days of equity beta are behind us for the time being. We'll continue to focus on stock opportunities, and for the time being, without embracing materially higher levels of market risk.

More information can be found at <http://optimalaus.com/>

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Fund manager in focus: Variety- the Children's Charity

About Variety

Variety - the Children's Charity is a national not-for-profit organisation committed to empowering Australian children who are sick, disadvantaged or have special needs to live, laugh and learn. By giving practical equipment, programs and experiences, Variety helps children in need to overcome whatever obstacles they face & live life to the fullest.



Variety and FGX

Funding provided by FGX will contribute to the Variety Scholarship Program, helping talented children who are sick, disadvantaged or who have special needs, achieve their full potential. Scholarships are awarded to support children who have a talent or dream in the arts, sport, music and education. Scholarships are awarded to cover training costs, equipment and skills based courses.

Funding from FGX will have extensive impact on a national level, with a vast array of accomplished individuals being supported through the program. The Variety Scholarships Program's impact is greatly multiplied as the positive effect it has on the child then reaches into their families, schools, and their wider support networks and communities.

Over the coming months, a report will be circulated to FGX with an update of the scholarship recipients that FGX has helped support. As part of the scholarship process, recipients are required to give an update as to how the scholarship has helped them achieve their dream.

A number of past successful scholarship recipients have been able to achieve beyond what could have been imagined, performing dance and music on the world stage and representing our country as proud Paralympians and elite athletes.

Q&A with Tam Johnston, CEO

What is your driving motivation in your current role?

Variety's mission is to help children who are sick, disadvantaged or have special needs to reach their full potential. I think we all want this for the children in our own lives, and the opportunity to help support other families is incredibly rewarding. For me, the most motivating moments are when you are spending time with parents, who just love their kids and want the best for them – often in the face of significant challenges, be that physical, medical or financial. It's a real privilege to be a part of their journey in supporting their little ones.



What is the most challenging aspect of your role?

Many of the gorgeous kids we work with at Variety face very significant challenges in life. In some cases they have conditions which are life limiting. It's always personally challenging to see children suffering or having a difficult time. It does inspire me, however, in our role of helping supporters and donors come alongside these children and help them out when they need it the most.

What does it mean to Variety to have the support of FGX?

We're so grateful for the support for FGX – it's critical to the success of our work. It's only through this sort of financial support that we're able to help children and families. Last year this support translated in to scholarships for children who demonstrated commitment and potential but just needed an extra hand to succeed. What a gift to give a child – the gift of opportunity, acknowledgement and support. Thank you to all the FGX team for the difference that you've made!

More information can be found at <http://www.variety.org.au/>